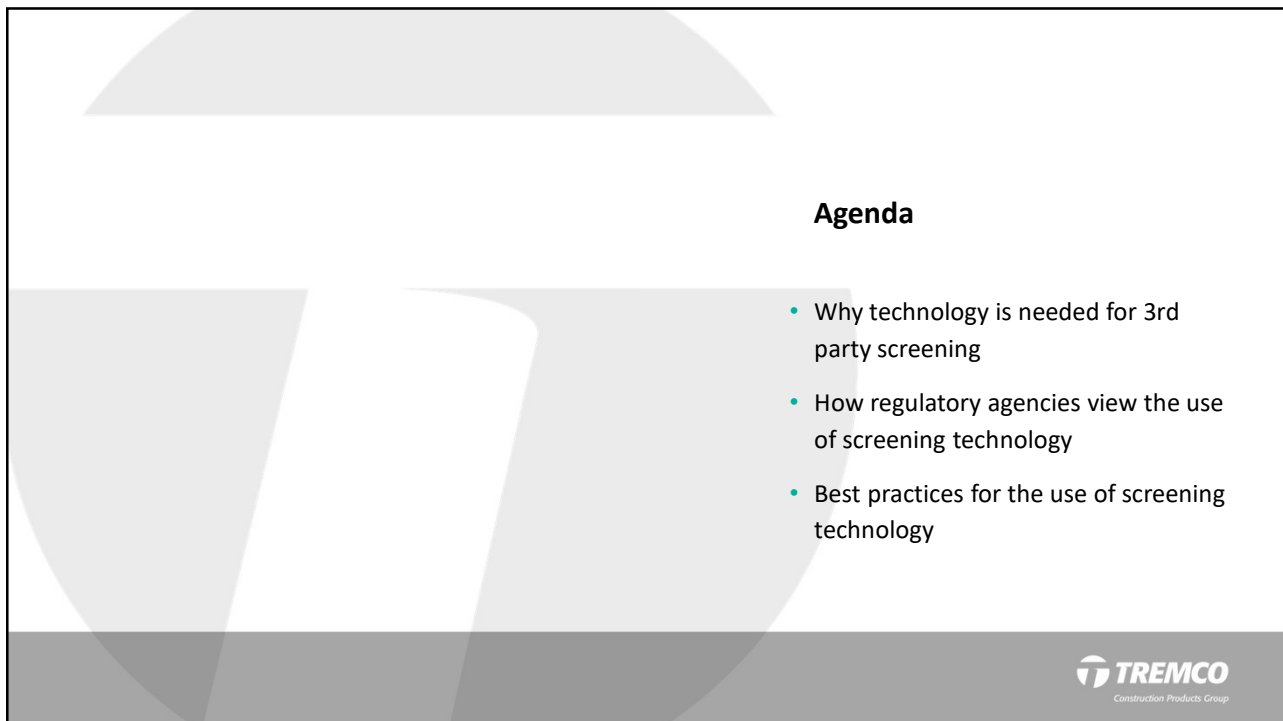


1



2



3



4

We take protection seriously.

Total Building Envelope Protection

Deck Coating Systems

- Tremco Vulkem® Coatings
- Polyurethane Methacrylate Coatings

Air Barrier Systems

- Self-Adhesive and Self-Adhered Air & Vapor Barrier Membranes
- Vapor-Permeable Air Barrier Membranes
- Thru-Wall Flashing Membrane
- Compatible Sealants and Mastics

Systems for the Control of Interior Air Movement

- Tremco, Versi-Seal® and Versi-Seal® II Moisture Proofing Products

Interior Sealing and Finishing Systems

- Tremco Vulkem® Interior and Exterior Sealants

Glazing and Transition Systems

- Structural Silicone Sealants
- Hurricane Impact- and Blast-Resistant Systems
- Glazing Tapes
- CompatiAir Gaskets, Spacers and Blocks

Exterior Sealant Systems

- Silicone Systems including Non-Staining and Fire-Retardant Sealants
- High-Performance Polyurethane Hybrid Sealants
- Polyurethane Sealants for Dams and Green Concrete
- Single and Multi-Component Urethanes Offering up to 70 Standard Colors
- Pre-Compressed Polyurethane Foam Sealant

Vegetated Roofs

- Flux, Lightweight Built-Up Systems
- Modular Systems
- Integrate, High-Performance Built-Up Systems


Waterproofing and Drainage Systems

- Hot and Cold Fluid-Applied Systems for Critical High-Build Applications
- "Green Concrete" Spray- and Fluid-Applied Membranes
- Dual Protection Bentonite/NCVE Sheet Membranes
- Professional Drainage Protection Systems
- Polyurethane Methacrylate Membranes


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Kevin Riddell

Kevin Riddell, CCLP, CCEP is the Director, Trade and Regulatory Compliance for the Tremco Construction Products Group, where he has worked for 28 years. Based in Toronto, his responsibilities are global, and cover customs, import/export controls, sanctions and related responsibilities. He volunteers as the chair of the Ontario chapter of the America’s SAP User Group (ASUG). He co-authored the two part “Practical Guide to SAP GTS” and speaks regularly at industry events.



Views and opinions are my own and not representative of the company I work for



6

A note on “3rd party screening”

What is meant by this? Many people have different thoughts on this, and truly there are different business needs.

For our purposes I will broadly break it down into two categories:

“Sanctioned/restricted party searching”, and

“3rd party due diligence”



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My personal definitions:

“Sanctioned/restricted party searching”:

“Checking of business partners against government published lists of parties, if doing business with them is prohibited or restricted”

“3rd party due diligence”:

“Checking of business partners against a broad list of databases, checking for any red flags or reasons to be concerned. Includes government published lists, and non-binding lists such as negative press, or past convictions for bad behaviour”



8

Why is technology needed for 3rd party screening?



9

Do I really need technology?

- Yes
- Or you outsource as a service
- But I can just check the government lists and “Google” right?



10

Do I really need technology?

The screenshot shows the OFAC Sanctions List Search application. The header includes the OFAC logo and the text "Office of Foreign Assets Control Sanctions List Search". Below the header is a detailed description of the application's purpose and features. The main content area contains a "Lookup" form with several input fields: "Type" (set to "All"), "Name", "ID #", "Program" (with a dropdown menu showing "All", "561-Related", "BALKANS", and "BALKANS-E014033"), "Address", "City", "State/Province", "Country" (set to "All"), and "List" (set to "All"). There is also a "Minimum Name Score" field set to "100". A "Search" button and a "Reset" button are located at the bottom of the form. To the right of the OFAC interface is a Google search bar with the text "Google offered in: Français".

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Do I really need to technology?

- Those were both technology – they were both software! (Just publicly available)
- So the only real decision is which technology/software do I wish to use

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Do I really need to technology?

- However, you are likely checking against much more than those can offer
- Sanctions/restricted parties:
 - Not just US, but EU, UN, other countries
 - Do they all offer a public search engine?
- 3rd party due diligence
 - Bad press reports
 - Past convictions
 - PEP



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Do I really need to automate?

- Using a search engine is one thing, but that's not truly automation
- When reviewing need to automate, consider:
 - # of business partners you need to screen
 - Internal resources for manual screening
 - Are you checking not just creation of business partner, but also:
 - Editing of business partner
 - Ongoing review of possible addition to a list after initial screening
 - Your transactions (often a BP is changed in an order)
 - Do you need transactions blocked in your core system?



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What do I mean by automation?

By Automation (again, my definition only) I mean:

“The use of an automated screening tool that reviews all of your business partners, and transactions, in real time. Possible matches against selected lists are returned for review. Previously screened partners are constantly checked against updated lists. Transactions in your core ERP or other system may be blocked when a potential match is found”



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Some key concepts in automation

Business Partner:

A 3rd party customer, vendor, agent or any other entity that your business deals with.

Transaction:

Any activity or interaction with a business partner, including but not limited to sales orders, service orders, purchase orders, etc.... 3rd party involved may or may not be a Business Partner in your system.



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Some key concepts in automation

Blocked Business Partner

A Business Partner that has been identified as possibly matching against a list that you screen against. May or may not be a True Positive but will be blocked until a user reviews and releases them.

Blocked Transaction:

A Transaction that is blocked because it either: contains a blocked business partner, or has been screened as a transaction and found to contain a potential match.



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Some key concepts in automation

True Positive:

After review by a user, the Business Partner has been determined to truly be a match against a listed entity

False Positive:

After review by a user, the Business Partner has been determined to not truly be a match against a listed entity.



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Could you do this without automation?

- Nearly a million business partners screened against dozens of lists
- All business partners checked against daily updating of lists
- All transactions screened:
 - If BP used as-is, BP status checked
 - If BP edited, document checked
 - Hundreds of documents daily
- All transactions blocked if:
 - BP blocked
 - Document check results in match, or
 - System off line



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Mitigation and the use of technology



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Benefits of using technology

- Faster
- Human error removed (partially)
- Mitigation factor with government agencies (possibly)



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OFAC Guidelines for Sanctions Compliance Program

- https://home.treasury.gov/system/files/126/framework_ofac_cc.pdf
- OFAC has never mandated screening (whether automated or not)
- Has hinted in guidelines and enforcement statements that automated screening could meet the requirement for an “effective SCP” (we know that terminology from the DOJ enforcement guidelines)



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OFAC Guidelines for Sanctions Compliance Program: some quotes

- “Senior management has taken, and will continue to take, steps to ensure that the organization’s compliance unit(s) receive adequate resources—including in the form of human capital, expertise, information technology”
- “OFAC recommends all organizations subject to U.S. jurisdiction review the settlements published by OFAC to reassess and enhance their respective SCPs”
- “Sufficient control functions exist that support the organization’s SCP—including but not limited to information technology software and systems”



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OFAC Guidelines for Sanctions Compliance Program: some quotes

- “VI. Sanctions Screening Software or Filter Faults: Many organizations conduct screening of their customers, supply chain, intermediaries, counterparties, commercial and financial documents, and transactions in order to identify OFAC prohibited locations, parties, or dealings. At times, organizations have failed to update their sanctions screening software to incorporate updates to the SDN List or SSI List, failed to include pertinent identifiers such as SWIFT Business Identifier Codes for designated, blocked, or sanctioned financial institutions, or did not account for alternative spellings of prohibited countries or parties—particularly in instances in which the organization is domiciled or conducts business in geographies that frequently utilize such alternative spellings (i.e., Habana instead of Havana, Kuba instead of Cuba, Soudan instead of Sudan, etc.),”



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Some OFAC comments re: use of technology from settlements

- https://home.treasury.gov/policy-issues/financial-sanctions/recent-actions/20150325_33
- “For several years up to and including 2013, PayPal failed to employ adequate screening technology and procedures to identify the potential involvement of U.S. sanctions targets in transactions that PayPal processed”



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Some OFAC comments re: use of technology from settlements

- https://home.treasury.gov/system/files/126/20210429_moneygram.pdf
- “OFAC determined the following to be mitigating factors”
- “MoneyGram retired its legacy screening system and launched a new system that contains substantially more features to screen, monitor, and resolve sanctions and other compliance-related alerts”



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Some OFAC comments re: use of technology from settlements

- https://home.treasury.gov/system/files/126/20220425_toll.pdf
- “Toll failed to adopt or implement policies and controls that prevented it from conducting transactions that involved designated parties”
- “OFAC determined the following to be mitigating factors:”
- “Risk-based screening of transactions, third parties, and agents with whom Toll does business against its internal sanctions lists, to include the SDN List as well as other less-restricted parties lists”



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Best practices



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From OFAC



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

False Hit Lists Guidance

U.S. persons are responsible for developing appropriate risk-based controls to enable compliance with the regulations administered by the Office of Foreign Assets Control (OFAC). Sanctions-related screening is often a valuable tool in enhancing compliance controls. U.S. persons, including financial institutions, frequently conduct sanctions screening of customer databases and/or transactions (e.g., funds transfers, trade finance, and other products) as part of their compliance program, which can assist in detecting individuals or entities on OFAC's List of Specially Designated Nationals and Blocked Persons (the "SDN List") or prohibited transactions involving countries, regions, or activities subject to OFAC sanctions. U.S. persons may choose to utilize sanctions screening to enhance existing controls as part of a risk-based program designed to comply with the rules and regulations OFAC administers.



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From OFAC

- https://home.treasury.gov/system/files/126/false_hit.pdf
- Came out of BMO settlement
- "False hit list" is a list of parties that will no longer be screened because you are 100% confident in them
- SAP calls this a "Positive list"
- Are you truly that confident in anyone?



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From OFAC

VI. Sanctions Screening Software or Filter Faults

Many organizations conduct screening of their customers, supply chain, intermediaries, counter-parties, commercial and financial documents, and transactions in order to identify OFAC-prohibited locations, parties, or dealings. At times, organizations have failed to update their sanctions screening software to incorporate updates to the SDN List or SSI List, failed to include pertinent identifiers such as SWIFT Business Identifier Codes for designated, blocked, or sanctioned financial institutions, or did not account for alternative spellings of prohibited countries or parties—particularly in instances in which the organization is domiciled or conducts business in geographies that frequently utilize such alternative spellings (i.e., Habana instead of Havana, Kuba instead of Cuba, Soudan instead of Sudan, etc.).



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From OFAC

- https://home.treasury.gov/system/files/126/framework_ofac_cc.pdf
- We touched in this before:
- “At times, organizations have failed to update their sanctions screening software to incorporate updates to the SDN List or SSI List, failed to include pertinent identifiers such as SWIFT Business Identifier Codes for designated, blocked, or sanctioned financial institutions, or did not account for alternative spellings of prohibited countries or parties”



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From me

- Use a technology that:
 - Automatically screens all business partners AND transactions
 - Blocks transactions as needed
 - Checks against updated lists
 - Screens against only those lists you need to screen against



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From me

- Train your employees properly in the use of the technology
- Audit and test the technology's effectiveness
- Develop an escalation process for uncertain hits



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From me

- Privacy concerns
- Ensure your screening of persons is in compliance with GDPR and other privacy regulations
- EU has indicated sanctions screening are a legitimate business need
- California privacy law vs US sanctions law: which scares you more?



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Lessons learned



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Unnecessary lists

- Gets back to sanctioned party screening vs 3rd party due diligence
- When we started with SAP GTS we screened against all the content offered by our content provider
- Many hits we “true positives” but irrelevant
- We even had a release option for irrelevant lists
- Since disabled any list we would not take action on



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Unnecessary lists

Display View "Options for Release Reason": Overview

Release Reason Det. Proc.: SPLRLS SPL Release Reason

Reason	Description
01	Not match - False hit
02	Irrelevant BP Type
03	SPL hit, SPL Entry Expired
04	SPL hit, GSA - Customer Partner Only
05	SPL hit, Non-Binding List
06	SPL Hit, GSA - Specific Address Only



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Find the right “hit rate”

SPL Audit Trail for Business Partner

Display Partner

Audit Trail of Sanctioned Party List Screening

Partner	BP Catqg	Est. BP	Name	Date	SPL Run	L. Reg.	Address/ln	SCR LDR Name	2 Street	City	Postl Code Rg	City	Comm.
239027	02	6051631	DELTA CONTRACTING	03/02/2022	06/04/23	SPLUS	239028	UNIT A 12	CONVERTY COURT	EAST BRUNSWICK	08816	ND	US

LP#	SPL Number	Seq.No.	Name	Name 2	Street	City	State	Postl Code	City	Val.	End Date
05A	013057665	1	SIERRA DELTA CONTRACTING			NY	US	10/25/2023	00:00:00		
			1 SIERRA DELTA CONTRACTING			NY	US	10/25/2023	00:00:00		

BP Orig. Doc.	BP Sch. Tr	SPL Orig. Term	SPL SchTerm	Match	ST	Origin	ST	Origin
US	US	US	US	100.00	CI	CI		
CONTRACTING	CONTRACTING	CONTRACTING	CONTRACTING	100.00	HI	HI		
DELTA	DELTA	DELTA	DELTA	100.00	HI	HI		

- My definition:
- “The rate as a % of partners screened that a possible match is returned”



39

Find the right “hit rate”

SPL Audit Trail for Business Partner

Display Partner

Audit Trail of Sanctioned Party List Screening

Partner	BP Catqg	Est. BP	Name	Date	SPL Run	L. Reg.	Address/ln	SCR LDR Name	2 Street	City	Postl Code Rg	City	Comm.
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05A	013057665	1	SIERRA DELTA CONTRACTING			NY	US	10/25/2023	00:00:00		

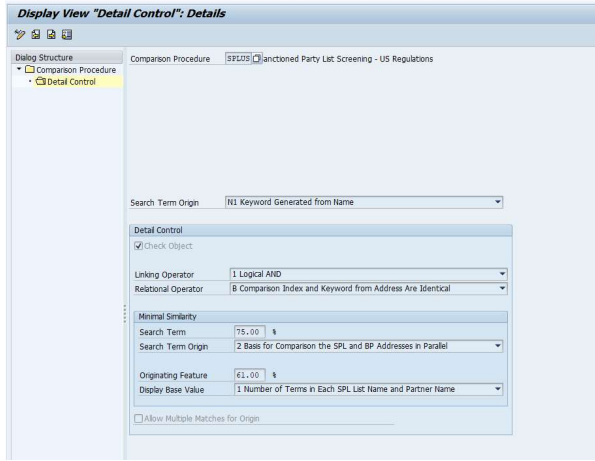
BP Orig. Doc.	BP Sch. Tr	SPL Orig. Term	SPL SchTerm	Match	ST	Origin	ST	Origin
US	US	US	US	100.00	CI	CI		
CONTRACTING	CONTRACTING	CONTRACTING	CONTRACTING	100.00	HI	HI		
DELTA	DELTA	DELTA	DELTA	100.00	HI	HI		

- To high: unmanageable and user burn out
- To low: jail



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Find the right "hit rate"

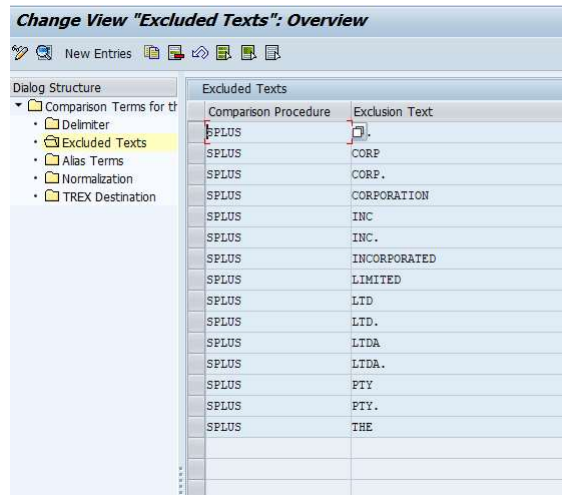


- % of word match
- % of words in string match



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Find the right "hit rate"



- Excluded terms



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Aliases

Change View "Alias Terms": Overview

New Entries

Dialog Structure

- Comparison Terms for t
- Delimiter
- Excluded Texts
- Alias Terms
- Normalization
- TREX Destination

Comparison Proc...	Alias Basis	Substitut. for Alias
SPLUS	<input type="checkbox"/> NIEL	DAN
SPLUS	GREGORY	GREG
SPLUS	LADIN	LADEN
SPLUS	MICHAEL	MIKE
SPLUS	PHILLIP	PHIL
SPLUS	RICHARD	DICK
SPLUS	ROBERT	BOB
SPLUS	THEODORE	TED
SPLUS	US	USA
SPLUS	USAMA	OSAMA



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International characters

Change View "Normalization": Overview

New Entries

Dialog Structure

- Comparison Terms for t
- Delimiter
- Excluded Texts
- Alias Terms
- Normalization
- TREX Destination

Comparison Proc...	Search Str	Target String
SPLUS	IE	Ë
SPLUS	OE	ö
SPLUS	UE	ü



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International naming conventions

- Have the reviews done by users who understand local naming conventions
- Would your user realise that OOO is a common term like “LTD” in Poland?
- Some countries prefer acronyms for company names (France) is your system prepared?



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Enable mobility!

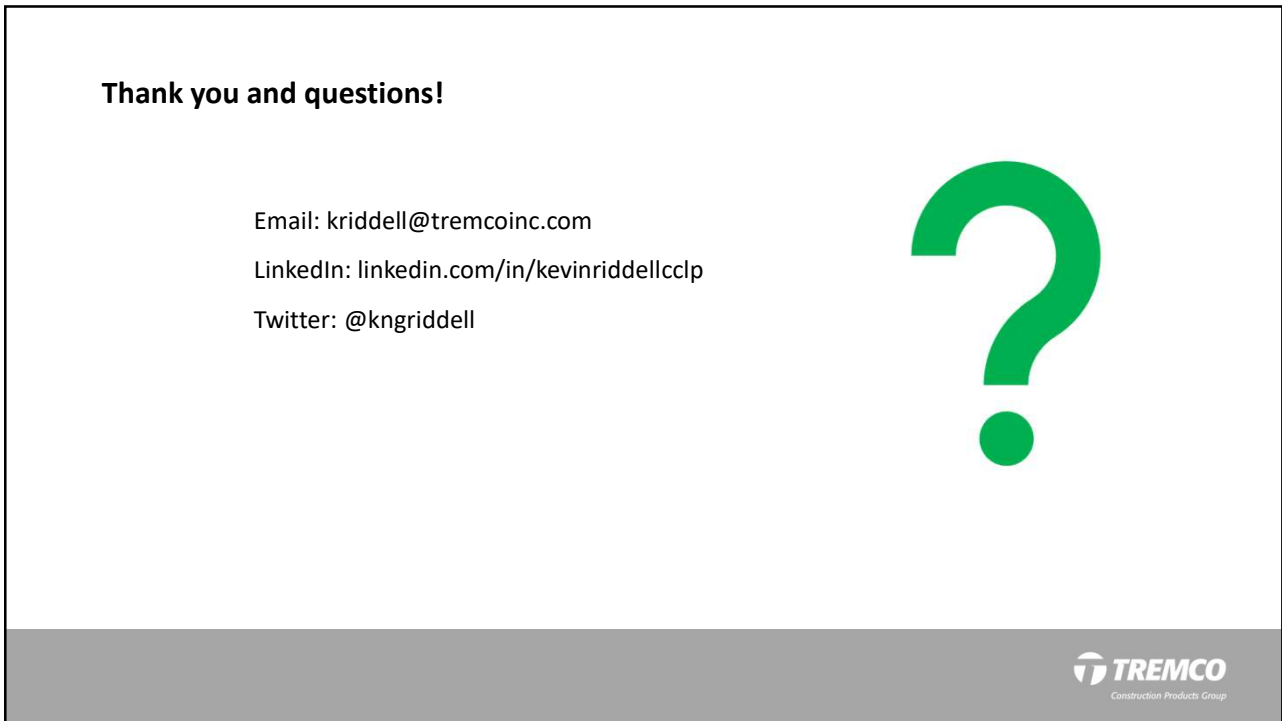
- Have phone/tablet level mobility for reviews, especially by management
- Nothing like having an order held up because the next level in the escalation process is not at their desk...



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